

Dike-New Hartford Community School District

Independent Auditor's Reports  
Basic Financial Statements  
And Supplementary Information  
Schedule of Findings

June 30, 2011

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# Dike-New Hartford Community School District

## Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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### Board of Education

#### (Before September 2010)

Melissa Hinde	President	2011
Jerry Nielsen	Vice President	2011
Thomas Boe	Board Member	2013
Meinard Koop	Board Member	2013
Randy Dicken	Board Member	2013

### Board of Education

#### (After September 2010)

Jerry Nielsen	President	2011
Thomas Boe*	Vice President	2013
Melissa Hinde	Board Member	2011
Meinard Koop***	Board Member	2013
Randy Dieken	Board Member	2013
Tom Lizer**	Board Member	2011

### School Officials

Lindsey Beecher****	Superintendent	2011
Don Graves	District Secretary/Treasurer	2011
Jane Christensen****	District Assistant Treasurer	2011
Julie Merfeld	District Business Manager	2011
Swisher & Cohrt	Attorney	2011

\* Resigned effective 2-22-11  
 \*\* Appointed by the board  
 \*\*\* Elected as Vice President to replace Boe's resignation  
 \*\*\*\* Resigned effective 6-30-11

Independent Auditor's Report

To the Board of Education of  
Dike-New Hartford Community School District:

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Dike-New Hartford Community School District, Dike, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. My responsibility is to express opinions on these financial statements based on my audit.


I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Dike-New Hartford Community School District at June 30, 2011, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, I have also issued my report dated February 17, 2012 on my consideration of Dike-New Hartford Community School District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of my audit.

Management's Discussion and Analysis, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 12 and 36 through 38 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Dike-New Hartford Community School District's basic financial statements. I previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the seven years ended June 30, 2010 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 6 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in my audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

  
Keith Oltrogge  
Certified Public Accountant

February 17, 2012

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

Dike-New Hartford Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2011. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2011 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$6,748,401 in fiscal 2010 to \$7,405,234 in fiscal 2011, while General Fund expenditures increased from \$7,100,690 in fiscal 2010 to \$7,236,210 in fiscal 2011. The District's General Fund balance increased from \$648,054 in fiscal 2010 to \$817,278 in fiscal 2011, a 26% increase.
- The increase in General Fund revenues was attributable to an increase in state sources in fiscal 2011. The increase in expenditures was due primarily to an increase in support services. One reason the General Fund balance increased is because the increase in revenue was more than the increase in expenditures.
- An increase in the District's General Fund balance resulted in the District's solvency ratio increasing from 3.5% in 2010 to 5.5% in fiscal 2011. The District's solvency level indicates the District is able to meet unforeseen financing requirements and presents a sound risk for the timely repayment of short-term debt obligations.

### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Dike-New Hartford Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Dike-New Hartford Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Dike-New Hartford Community School District acts solely as an agent or custodian for the benefit of those outside of the District.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Other Supplementary Information provides detailed information about the non-major governmental funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the District.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

**Figure A-1**  
**Dike-New Hartford Community School District Annual Financial Report**

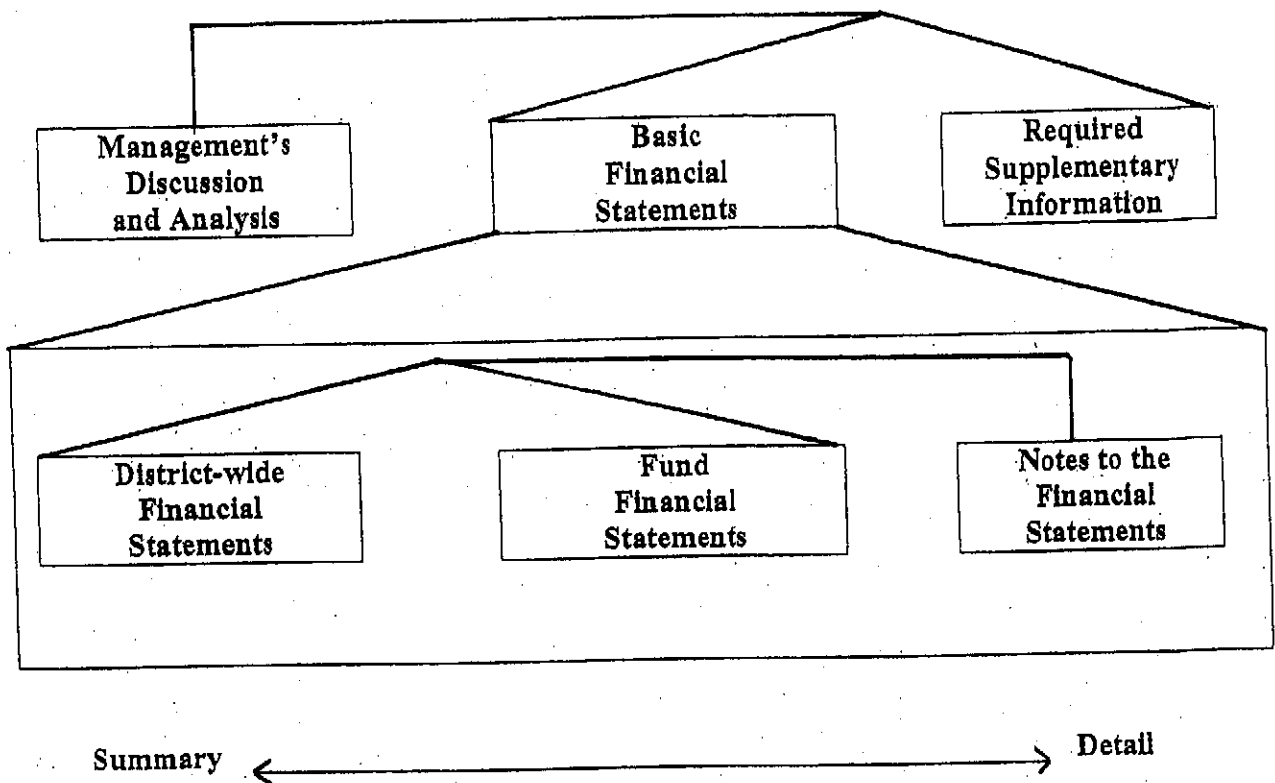


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

**Figure A-2**  
**Major Features of the Government-wide and Fund Financial Statements**

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	Statement of net assets	Balance sheet	Statement of net assets	Statement of fiduciary net assets
	Statement of activities	Statement of revenues, expenditures and changes in fund balances	Statement of revenues, expenses and changes in fund net assets  Statement of cash flows	Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long- term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long- term	All assets and liabilities, both short- term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid



## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### *Government-wide Financial Statements*

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

### *Fund Financial Statements*

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has two kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District's Internal Service Fund, another type of proprietary fund, is utilized to account for the financing of goods or services provided by one department or agency to other departments or agencies of a government, or to other governments, on a cost-reimbursement basis. The District currently has one Enterprise Fund, the School Nutrition Fund, and one Internal Service Fund.

The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

Reconciliation between the government-wide financial statements and the fund financial statements follow the fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2011 compared to June 30, 2010.

**Figure A-3**  
**Condensed Statement of Net Assets**

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-2011
Current and other assets	\$6,363,941	\$6,442,724	\$254,356	\$231,049	\$6,618,297	\$6,673,773	-0.8%
Capital assets	7,723,303	7,371,973	12,230	12,634	7,735,533	7,384,607	4.8%
Total assets	\$14,087,244	\$13,814,697	\$266,586	\$243,683	\$14,353,830	\$14,058,380	2.1%
Long-term liabilities	\$5,290,419	\$5,562,402	\$-	\$-	\$5,290,419	\$5,562,402	-4.9%
Other liabilities	3,836,290	3,956,696	5,411	7,136	3,841,701	3,963,832	-3.1%
Total liabilities	\$9,126,709	\$9,519,098	\$5,411	\$7,136	\$9,132,120	\$9,526,234	-4.1%
Net assets:							
Invested in capital assets, net of related debt	\$2,558,303	\$1,906,973	\$12,230	\$12,634	\$2,570,533	\$1,919,607	33.9%
Restricted	2,021,448	1,164,075	-	-	2,021,448	1,164,075	73.7%
Unrestricted	380,784	1,124,551	248,945	223,913	629,729	1,448,464	-45.7%
Total net assets	\$4,960,535	\$4,295,599	\$261,175	\$236,547	\$5,221,710	\$4,532,146	15.2%

The District's combined net assets increased by nearly 15.2%, or \$689,546, over the prior year. The largest portion of the District's net assets is invested in Capital assets (e.g., land, infrastructures, intangibles, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased \$857,373, or 73.7%, over the prior year, due to the reclassification of unrestricted net assets.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased \$818,735 or 45.7% under last years. The reduction in unrestricted net assets was due to the increase in restricted net assets.

Figure A-4 shows the change in net assets for the years ended June 30, 2011 and 2010.

Figure A-4 Changes in Net Assets							
	Governmental Activities		Business Type Activities		Total District		Total Change
	2011	2010	2011	2010	2011	2010	2010-2011
Revenues:							
Program revenues:							
Charges for service	\$746,918	\$646,402	\$257,755	\$245,570	\$1,004,673	\$891,972	12.6%
Operating grants, contributions and restricted interest	1,330,937	1,392,304	137,044	118,297	1,467,981	1,510,601	-2.8%
Capital grants, contributions and restricted interest	9,921	31,605	-	-	9,921	31,605	-68.6%
General revenues:							
Property tax	3,106,300	2,785,759	-	-	3,106,300	2,785,759	11.5%
Statewide sale, service and use tax	720,233	426,441	-	-	720,233	426,441	68.9%
Unrestricted state grants	3,081,956	2,686,241	-	-	3,081,956	2,686,241	14.7%
Unrestricted investment earnings	41,903	46,526	788	2,074	42,691	48,600	-12.2%
Other	81,937	79,045	-	-	81,937	79,045	3.7%
Total revenues	\$9,120,105	\$8,094,323	\$395,587	\$365,941	\$9,515,692	\$8,460,264	12.5%
Program expenses:							
Governmental activities:							
Instruction	\$5,659,278	\$5,523,095	\$-	\$-	\$5,659,278	\$5,523,095	2.5%
Support services	2,223,167	2,126,360	-	-	2,223,167	2,126,360	4.6%
Non-instructional programs	6,565	6,385	370,959	356,957	377,524	363,342	3.9%
Other expenses	566,359	602,603	-	-	566,359	602,603	-6.0%
Total expenses	\$8,455,369	\$8,258,443	\$370,959	\$356,957	\$8,826,328	\$8,615,400	2.4%
Change in net assets	\$664,736	-\$164,120	\$24,628	\$8,984	\$689,364	-\$155,136	344.4%

In fiscal year 2011, property tax and unrestricted state grants accounted for 67.9% of governmental activities revenue while charges for service and operating grants, contributions and restricted interest accounted for 99.8% of business type activities revenue.

The District's total revenues were approximately \$9.5 million, of which approximately \$9.1 million was for governmental activities and less than \$0.4 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 12.5% increase in revenues and a 2.4% increase in expenses. Property tax increased approximately \$321,000. The increase in expenses is related to an increase in support services.

#### Governmental Activities

Revenues for governmental activities were \$9,120,105 and expenses were \$8,455,369. It was a difficult budget year. The District was able to balance the budget by trimming expenses to match available revenues.

The following table presents the total and net cost of the District's major governmental activities, instruction, support services, non-instructional programs and other expenses for the year ended June 30, 2011 compared to the year ended June 30, 2010.

Figure A-5 Total and Net Cost of Governmental Activities						
	Total Cost of Services			Net Cost of Services		
	2011	2010	Change 2010-2011	2011	2010	Change 2010-2011
Instruction	\$5,659,278	\$5,523,095	2.5%	\$3,641,902	\$3,549,874	2.6%
Support services	2,223,167	2,126,360	4.6%	2,162,688	2,060,875	4.9%
Non-instructional programs	6,565	6,385	2.8%	6,565	6,385	2.8%
Other expenses	566,356	602,603	-6.0%	556,438	570,998	-2.6%
Totals	\$8,455,369	\$8,258,443	2.4%	\$6,367,593	\$6,188,132	2.9%

- The cost financed by users of the District's programs was \$1,004,673.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,467,981.
- The net cost of governmental activities was financed with \$3,826,533 in property and other taxes and \$3,081,956 in unrestricted state grants.

### **Business Type Activities**

Revenues for business type activities were \$395,587 and expenses were \$370,959. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

### **INDIVIDUAL FUND ANALYSIS**

As previously noted, Dike-New Hartford Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$2,545,891, an increase from last year's ending fund balances of \$2,502,712.

### **Governmental Fund Highlights**

- The General Fund balance increased from \$648,054 to \$817,278, due in part to an increase in state revenue of \$529,220.
- Debt Service Fund balance decreased from \$160,492 to \$159,875 due in part to the decrease in operating transfers from Capital Projects Fund.
- The Capital Projects Fund balance decreased from \$1,212,452 in fiscal 2010 to \$856,071 in fiscal 2011 due in part to the transfer to the Disaster Recovery Fund of \$131,617 to close that fund, and the purchase of fiber optics improvements.

### **Proprietary Fund Highlights**

- School Nutrition Fund net assets increased from \$147,200 at June 30, 2010 to \$174,022 at June 30, 2011, representing an increase of approximately 18.2%.

### **BUDGETARY HIGHLIGHTS**

The District's receipts were \$434,466 more than budgeted receipts, a variance of 4.8%. The most significant variance resulted from the District receiving more in local revenue than originally anticipated.

The District's total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

In spite of the District's budgetary practice, the certified budget was exceeded in the instruction and support services functional areas due to the timing of expenditures at year-end without sufficient time to amend the certified budget.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2011, the District had invested \$7.7 million, net of accumulated depreciation, in a broad range of capital assets, including buildings, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of 4.8% from last year. More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$481,178.

The original cost of the District's capital assets was \$16.73 million. Governmental funds account for \$16.70 million, with the remainder of \$0.03 million accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the improvements other than buildings category.

**Figure A-6**  
**Capital Assets, net of Depreciation**

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-2011
Land	\$110,000	\$110,000	\$-	\$-	\$110,000	\$110,000	-
Construction in process	-	45,243	-	-	-	45,243	-100%
Buildings	6,468,756	6,181,425	-	-	6,468,756	6,181,425	4.6%
Improvements other than buildings	256,613	122,441	-	-	256,613	122,441	109.5%
Furniture and equipment	887,934	912,864	12,230	12,634	900,164	925,498	-2.7%
Totals	\$7,723,303	\$7,371,973	\$12,230	\$12,634	\$7,735,533	\$7,384,607	4.8%

### Long-Term Debt

At June 30, 2011, the District had \$5,165,000 in general obligation and other long-term debt outstanding. This represents a decrease of approximately 5.5% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

The District continues to carry a general obligation bond rating of Aa3 assigned by national rating agencies to the District's debt since 1997. The Constitution of the State of Iowa limits the amount of general obligation debt districts can issue to 5 percent of the assessed value of all taxable property within the District. The District's outstanding general obligation debt is significantly below its constitutional debt limit of approximately \$17.4 million.

**Figure A-7**  
**Outstanding Long-term Obligations**

	Total District		Total Change
	June 30,		June 30,
	2011	2010	2010-2011
General obligation bonds	\$4,490,000	\$4,665,000	-3.8%
Revenue bond	675,000	800,000	-15.6%
Totals	\$5,165,000	\$5,465,000	-5.5%

## **ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE**

At the time these financial statements were prepared and audited, the District was unaware of existing circumstances which could significantly affect its financial health in the future except for the following:

- State and federal budget cut backs continue to be a concern for the local school districts as these cut backs often affect and flow through to the local district levels as less aid and grant funding.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Julie Merfeld, Business Manager, Dike-New Hartford Community School District, 330 Main Street, Dike IA 50624.

## **Basic Financial Statements**

## Dike-New Hartford Community School District

## Statement of Net Assets

June 30, 2011

	Govern- mental Activities	Business Type Activities	Total
<b>Assets</b>			
Cash and Cash Equivalents	\$ 2,937,154	\$ 240,686	\$ 3,177,840
Receivables:			
Property tax:			
Delinquent	34,098	-	34,098
Succeeding year	2,764,546	-	2,764,546
Accounts	47,288	3,271	50,559
Due from other governments	580,855	-	580,855
Inventories	-	10,399	10,399
Capital assets, net of accumulated depreciation	7,723,303	12,230	7,735,533
<b>Total Assets</b>	<b>\$ 14,087,244</b>	<b>\$ 266,586</b>	<b>\$ 14,353,830</b>
<b>Liabilities</b>			
Accounts payable	\$ 138,038	\$ 71	\$ 138,109
Salaries and benefits payable	613,111	-	613,111
Accrued interest payable	29,282	-	29,282
Deferred revenue-succeeding year property tax	2,764,546	-	2,764,546
Deferred revenue-other	291,313	5,340	296,653
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	185,000	-	185,000
Early retirement	33,273	-	33,273
Revenue Bonds	255,000	-	255,000
Portion due after one year:			
General obligation bonds payable	4,305,000	-	4,305,000
Early retirement	92,146	-	92,146
Revenue bond	420,000	-	420,000
<b>Total Liabilities</b>	<b>\$ 9,126,709</b>	<b>\$ 5,411</b>	<b>\$ 9,132,120</b>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	\$ 2,558,303	\$ 12,230	\$ 2,570,533
Restricted for:			
Categorical funding	418,254	-	418,254
Management levy purposes	56,929	-	56,929
Physical plant and equipment	366,642	-	366,642
Student activities	163,677	-	163,677
Debt service	250,375	-	250,375
Capital projects	765,571	-	765,571
Unrestricted	380,784	248,945	629,729
<b>Total Net Assets</b>	<b>\$ 4,960,535</b>	<b>\$ 261,175</b>	<b>\$ 5,221,710</b>

See notes to financial statements.



**Dike-New Hartford Community School District**

**Statement of Activities**

**Year Ended June 30, 2011**

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenues</b>		
		<b>Charges for Services</b>	<b>Operating Grants, Contributions and Restricted Interest</b>	<b>Capital Grants, Contributions and Restricted Interest</b>
<b>Governmental Activities:</b>				
<b>Instruction:</b>				
Regular instruction	\$ 3,716,076	\$ 255,145	\$ 1,165,181	\$ -
Special instruction	815,261	29,834	136,105	-
Other instruction	1,127,941	407,224	23,887	-
	<u>\$ 5,659,278</u>	<u>\$ 692,203</u>	<u>\$ 1,325,173</u>	<u>\$ -</u>
<b>Support Services:</b>				
Student services	\$ 138,728	\$ -	\$ 5,764	\$ -
Instructional staff services	254,221	-	-	-
Administration services	843,934	-	-	-
Operation and maintenance of plant services	605,249	555	-	-
Transportation services	381,035	54,160	-	-
	<u>\$ 2,223,167</u>	<u>\$ 54,715</u>	<u>\$ 5,764</u>	<u>\$ -</u>
Non-instructional programs	\$ 6,565	\$ -	\$ -	\$ -
<b>Other Expenditures:</b>				
Facilities acquisition	\$ 89	\$ -	\$ -	\$ 9,921
Long-term debt interest	228,169	-	-	-
AEA flow-through	338,101	-	-	-
	<u>\$ 566,359</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,921</u>
<b>Total Governmental Activities</b>	<u>\$ 8,455,369</u>	<u>\$ 746,918</u>	<u>\$ 1,330,937</u>	<u>\$ 9,921</u>
<b>Business Type Activities:</b>				
<b>Non-Instructional Programs:</b>				
Food service operations	\$ 368,200	\$ 257,190	\$ 137,044	\$ -
<b>Instructional Program:</b>				
Internal service	2,759	565	-	-
<b>Total Business Type Activities</b>	<u>\$ 370,959</u>	<u>\$ 257,755</u>	<u>\$ 137,044</u>	<u>\$ -</u>
<b>Total</b>	<u>\$ 8,826,328</u>	<u>\$ 1,004,673</u>	<u>\$ 1,467,981</u>	<u>\$ 9,921</u>

See notes to financial statements.

Net (Expense) Revenue  
And Changes in Net Assets

Governmental Activities		Business Type Activities		Total
\$	-2,295,750	\$	-	\$ -2,295,750
	-649,322		-	-649,322
	-696,830		-	-696,830
\$	-3,641,902	\$	-	\$ -3,641,902
\$	-132,964	\$	-	\$ -132,964
	-254,221		-	-254,221
	-843,934		-	-843,934
	-604,694		-	-604,694
	-326,875		-	-326,875
\$	-2,162,688	\$	-	\$ -2,162,688
\$	-6,565	\$	-	\$ -6,565
\$	9,832	\$	-	\$ 9,832
	-228,169		-	-228,169
	-338,101		-	-338,101
\$	-556,438	\$	-	\$ -556,438
\$	-6,367,593	\$	-	\$ -6,367,593
\$	-	\$	26,034	\$ 26,034
	-		-2,194	-2,194
\$	-	\$	23,840	\$ 23,840
\$	-6,367,593	\$	23,840	\$ -6,343,753

**Dike-New Hartford Community School District**

**Statement of Activities**

**Year Ended June 30, 2011**

	Program Revenues		
	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Expenses			

**General Revenues:**

Property Tax Levied For:

General purposes

Debt service

Capital outlay

Statewide sales, services and use tax

Unrestricted state grants

Unrestricted investment earnings

Other

Total General Revenues

Change in net assets before other financing sources

Other Financing Sources (Uses):

Sale of assets

Change in net assets

Net assets beginning of year

Net assets end of year

See notes to financial statements.

Net (Expense) Revenue  
And Changes in Net Assets

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Governmental Activities	Business Type Activities	Total
\$ 2,730,033	\$ -	\$ 2,730,033
206,220	-	206,220
170,047	-	170,047
720,233	-	720,233
3,081,956	-	3,081,956
41,903	788	42,691
81,937	-	81,937
<hr/>		
\$ 7,032,329	\$ 788	\$ 7,033,117
<hr/>		
\$ 664,736	\$ 24,628	\$ 689,364
200	-	200
<hr/>		
\$ 664,936	\$ 24,628	\$ 689,564
<hr/>		
\$ 4,295,599	\$ 236,547	\$ 4,532,146
<hr/>		
\$ 4,960,535	\$ 261,175	\$ 5,221,710
<hr/>		

## Dike-New Hartford Community School District

Balance Sheet  
Governmental Funds

June 30, 2011

	General	Debt Service	Capital Projects	Non-major	Total
<b>Assets</b>					
Cash and Pooled Investments	\$ 1,426,715	\$ 168,273	\$ 1,011,732	\$ 330,434	\$ 2,937,154
Receivables:					
Property Tax:					
Delinquent	27,976	2,358	1,925	1,839	34,098
Succeeding year	2,090,885	345,000	178,661	150,000	2,764,546
Accounts	6,965	250	-	40,073	47,288
Due from other governments	358,411	36	220,878	1,530	580,855
<b>Total Assets</b>	<b>\$ 3,910,952</b>	<b>\$ 515,917</b>	<b>\$ 1,413,196</b>	<b>\$ 523,876</b>	<b>\$ 6,363,941</b>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 98,365	\$ -	\$ 11,822	\$ 27,851	\$ 138,038
Accrued interest	-	11,042	-	-	11,042
Salaries and benefits payable	613,111	-	-	-	613,111
Deferred Revenue:					
Succeeding year property tax	2,090,885	345,000	178,661	150,000	2,764,546
Other	291,313	-	-	-	291,313
<b>Total Liabilities</b>	<b>\$ 3,093,674</b>	<b>\$ 356,042</b>	<b>\$ 190,483</b>	<b>\$ 177,851</b>	<b>\$ 3,818,050</b>
<b>Fund Balances:</b>					
Restricted for:					
Categorical funding	\$ 418,254	\$ -	\$ -	\$ -	\$ 418,254
Debt service	-	159,875	90,500	-	250,375
Management levy purposes	-	-	-	182,348	182,348
Student activities	-	-	-	163,677	163,677
School infrastructure	-	-	765,571	-	765,571
Physical plant and equipment	-	-	366,642	-	366,642
Unassigned	399,024	-	-	-	399,024
<b>Total Fund Balances</b>	<b>\$ 817,278</b>	<b>\$ 159,875</b>	<b>\$ 1,222,713</b>	<b>\$ 346,025</b>	<b>\$ 2,545,891</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 3,910,952</b>	<b>\$ 515,917</b>	<b>\$ 1,413,196</b>	<b>\$ 523,876</b>	<b>\$ 6,363,941</b>

See notes to financial statements.

## Dike-New Hartford Community School District

Reconciliation of the Balance Sheet – Governmental Funds  
To the Statement of Net Assets

June 30, 2011

<b>Total fund balances of governmental funds (page 16)</b>	<b>\$ 2,545,891</b>
<i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds	7,723,303
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds	-18,240
Long-term liabilities, including bonds and notes payable, early retirement and other postemployment benefits payable are not due and payable in the current period and, therefore, are not reported in the funds	-5,290,419
<b>Net assets of governmental activities (page 13)</b>	<b><u>\$ 4,960,535</u></b>

## Dike-New Hartford Community School District

Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds

Year Ended June 30, 2011

	General	Debt Service	Capital Projects	Non-Major	Total
<b>Revenues:</b>					
<b>Local Sources:</b>					
Local tax	\$ 2,579,595	\$ 206,220	\$ 890,280	\$ 150,438	\$ 3,826,533
Tuition	262,448	-	-	-	262,448
Other	150,613	637	6,983	450,077	608,310
<b>Intermediate sources</b>	-	-	-	-	-
<b>State sources</b>	4,018,498	123	100	92	4,018,813
<b>Federal sources</b>	394,080	-	9,921	-	404,001
<b>Total Revenues</b>	<u>\$ 7,405,234</u>	<u>\$ 206,980</u>	<u>\$ 907,284</u>	<u>\$ 600,607</u>	<u>\$ 9,120,105</u>
<b>Expenditures:</b>					
<b>Current:</b>					
<b>Instruction:</b>					
Regular instruction	\$ 3,283,242	\$ -	\$ -	\$ 42,872	\$ 3,326,114
Special instruction	815,261	-	-	-	815,261
Other instruction	766,408	-	-	465,534	1,231,942
	<u>\$ 4,864,911</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 508,406</u>	<u>\$ 5,373,317</u>
<b>Support Services:</b>					
Student services	\$ 138,728	\$ -	\$ -	\$ -	\$ 138,728
Instructional staff services	251,490	-	497,862	-	749,352
Administration services	812,312	-	9,986	8,573	830,871
Operation and maintenance of plant services	547,210	-	-	49,001	596,211
Transportation services	\$ 283,275	-	-	22,431	305,706
	<u>2,033,015</u>	<u>\$ -</u>	<u>\$ 507,848</u>	<u>\$ 80,005</u>	<u>\$ 2,620,868</u>
<b>Non-instructional programs</b>	<u>\$ 183</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,382</u>	<u>\$ 6,565</u>
<b>Other Expenditures:</b>					
Facilities acquisition	\$ -	\$ -	\$ 211,662	\$ -	\$ 211,662
<b>Long-Term Debt:</b>					
Principal	-	300,000	-	-	300,000
Interest and fees	-	226,616	-	-	226,616
AEA flow-through	338,101	-	-	-	338,101
	<u>\$ 338,101</u>	<u>\$ 526,616</u>	<u>\$ 211,662</u>	<u>\$ -</u>	<u>\$ 1,076,379</u>
<b>Total Expenditures</b>	<u>\$ 7,236,210</u>	<u>\$ 526,616</u>	<u>\$ 719,510</u>	<u>\$ 594,793</u>	<u>\$ 9,077,129</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>\$ 169,024</u>	<u>\$ -319,636</u>	<u>\$ 187,774</u>	<u>\$ 5,814</u>	<u>\$ 42,976</u>
<b>Other Financing Sources (Uses):</b>					
Operating transfer in (out)	\$ -	\$ 319,019	\$ -450,636	\$ 131,617	\$ -
Sale of assets	200	-	-	-	200
<b>Net change in fund balances</b>	<u>\$ 169,224</u>	<u>\$ -617</u>	<u>\$ -262,862</u>	<u>\$ 137,431</u>	<u>\$ 43,176</u>
<b>Fund balances beginning of year, as restated</b>	<u>\$ 648,054</u>	<u>\$ 160,492</u>	<u>\$ 1,485,575</u>	<u>\$ 208,594</u>	<u>\$ 2,502,715</u>
<b>Fund Balances End of Year</b>	<u>\$ 817,278</u>	<u>\$ 159,875</u>	<u>\$ 1,222,713</u>	<u>\$ 346,025</u>	<u>\$ 2,545,891</u>

See notes to financial statements.

## Dike-New Hartford Community School District

**Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances – Governmental Funds  
To the Statement of Activities**

**Year Ended June 30, 2011**

**Net change in fund balances – total governmental funds (page 18)** \$ 43,176

*Amounts reported for governmental activities in the Statement of Activities are different because:*

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, these costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:

Expenditures for capital assets	\$ 830,824	
Depreciation expense	<u>-479,494</u>	351,330

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.

Repaid		300,000
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Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

-1,553

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Early retirement	\$ -30,017	
Other postemployment benefits	<u>2,000</u>	-28,017

**Change in Net Assets of Governmental Activities (page 15)** \$ 664,936



## Dike-New Hartford Community School District

Statement of Net Assets  
Proprietary Funds

June 30, 2011

	School Nutrition	Internal Service	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 153,533	\$ 87,153	\$ 240,686
Accounts receivable	3,271	-	3,271
Inventories	10,399	-	10,399
Capital assets, net of accumulated depreciation	12,230	-	12,230
<b>Total Assets</b>	<b>\$ 179,433</b>	<b>\$ 87,153</b>	<b>\$ 266,586</b>
<b>Liabilities</b>			
Accounts payable	\$ 71	\$ -	\$ 71
Deferred revenue	5,340	-	5,340
<b>Total Liabilities</b>	<b>\$ 5,411</b>	<b>\$ -</b>	<b>\$ 5,411</b>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	\$ 12,230	\$ -	\$ 12,230
Unrestricted	161,792	87,153	248,945
<b>Total Net Assets</b>	<b>\$ 174,022</b>	<b>\$ 87,153</b>	<b>\$ 261,175</b>

See notes to financial statements.

**Dike-New Hartford Community School District**  
**Statement of Revenues, Expenses and Changes in Fund Net Assets**  
**Proprietary Fund**

**Year Ended June 30, 2011**

	<u>School Nutrition</u>
Operating revenues:	
Local sources:	
Charges for service	\$ 257,190
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	\$ 114,391
Benefits	33,328
Purchased services	6,886
Supplies	211,686
Depreciation	1,684
Other	225
Total operating expenses	\$ 368,200
Operating loss	\$ -111,010
Non-operating revenues:	
State sources	\$ 3,496
Federal sources	133,548
Interest income	788
Total non-operating revenues	\$ 137,832
Change in net assets	\$ 26,822
Net assets beginning of year	147,200
Net Assets End of Year	\$ 174,022

See notes to financial statements.

## Dike-New Hartford Community School District

Statement of Cash Flows  
Proprietary Fund

Year Ended June 30, 2011

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 257,572
Cash paid to employees for services	-148,408
Cash paid to suppliers for goods or services	-189,796
Net cash used by operating activities	<u>\$ -80,632</u>
Cash flows from non-capital financing activities:	
State grants received	\$ 3,496
Federal grants received	97,361
Net cash provided by non-capital financing activities	<u>\$ 100,857</u>
Cash flows from financing activities:	
Purchase of equipment	<u>\$ -1,280</u>
Cash flows from investing activities:	
Interest on investments	<u>\$ 788</u>
Net increase in cash and cash equivalents	\$ 19,733
Cash and cash equivalents beginning of year	<u>133,800</u>
Cash and Cash Equivalents End of Year	<u>\$ 153,533</u>
<b>Reconciliation of operating loss to net cash used by operating activities:</b>	
Operating loss	\$ -111,010
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	36,186
Depreciation	1,684
(Increase) in inventories	-5,384
(Increase) in accounts receivable	-383
(Decrease) in accounts payable	-1,930
Increase in deferred revenue	894
(Decrease) in accrued salaries and benefits	<u>-689</u>
Net Cash Used by Operating Activities	<u>\$ -80,632</u>

**Non-cash investing, capital and financing activities:**

During the year ended June 30, 2011, the District received \$36,186 of federal commodities.

See notes to financial statements.

**Dike-New Hartford Community School District**  
**Statement of Revenues, Expenses and Changes in Fund Net Assets**  
**Proprietary Fund**

**Year Ended June 30, 2011**

	<u>Internal Service</u>
Operating revenues:	
Local sources:	
Other revenue	\$ 565
Operating expenses:	
Instruction:	
Benefits	\$ 2,495
Supplies	264
Total operating expenses	\$ 2,759
Operating loss	\$ -2,194
Change in net assets	\$ -2,194
Net assets beginning of year	89,347
Net Assets End of Year	\$ 87,153

See notes to financial statements.

## Dike-New Hartford Community School District

Statement of Cash Flows  
Proprietary Fund

Year Ended June 30, 2011

	Internal Service
Cash flows from operating activities:	
Cash received from collections	\$ 565
Cash payments for employee benefits	-2,495
Cash paid to suppliers for goods and service	-264
Net cash used by operating activities	<u>\$ -2,194</u>
Net decrease in cash and cash equivalents	\$ -2,194
Cash and cash equivalents beginning of year	<u>89,347</u>
Cash and Cash Equivalents End of Year	<u>\$ 87,153</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>	
Operating loss	\$ -2,194
Adjustments to reconcile operating income to net cash used by operating activities	-
Net Cash Used by Operating Activities	<u>\$ -2,194</u>
<b>Reconciliation of cash and cash equivalents at year end to specific assets included on combined balance sheet:</b>	
Current Assets:	
Cash	<u>\$ 87,153</u>

See notes to financial statements.

## **Dike-New Hartford Community School District**

### **Notes to Financial Statements**

**June 30, 2011**

#### **(1) Summary of Significant Accounting Policies**

Dike-New Hartford Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the Cities of Dike and New Hartford, Iowa and portions of the predominately agricultural territories in Butler, Grundy and Black Hawk Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis. Facilities are located in New Hartford for Grades K-8. Grades K-6 and Grades 9-12 attend the Dike attendance centers.

The District's financial statements are prepared in conformity with U. S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

##### **A. Reporting Entity**

For financial reporting purposes, Dike-New Hartford Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. Dike-New Hartford Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organization – The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the County Assessor's Conference Board.

##### **B. Basis of Presentation**

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in the following categories:

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function and (2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as non-major governmental funds. Combining schedules are also included for the Capital Project Fund accounts.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Debt Service Fund is utilized to account for property tax and other revenues to be used for the payment of interest and principle on the District's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

The District reports the following major proprietary funds:

The Enterprise, School Nutrition Fund is used to account for the food service operations of the District.

The Internal Service Fund is utilized to account for the financing of goods or services provided by one department or agency to other departments or agencies of a government, or to other governments, on a cost-reimbursement basis.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year-end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

The proprietary funds of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust, which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½ % per month penalty for delinquent payments; is based on January 1, 2009 assessed property valuations; is for the tax accrual period July 1, 2010 through June 30, 2011 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2010.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.



Capital Assets – Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 2,000
Buildings	10,000
Improvements other than buildings	10,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	2,000

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Improvements other than buildings	20 – 50 years
Furniture and equipment	5 – 15 years

Salaries and Benefits Payable – Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year-end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Long-term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Committed – Amounts which can be used only for specific purposes determined pursuant to constraints formally imposed by the Board of Education through resolution approved prior to year end. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same action it employed to commit those amounts.

Unassigned – All amounts not included in other spendable classifications.

Restricted Net Assets – In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

(2) **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2011 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2011, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Total	\$ 250,342

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk - The investments in the Iowa Schools Joint Investment Trust were rated Aaa by Moody's Investors Service.

(3) **Inter-fund Transfers**

The detail of inter-fund transfers for the year ending June 30, 2011 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	\$ 319,019
Disaster Recovery	Capital Projects	131,617
Total		<u>\$ 450,636</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(4) **Capital Assets**

Capital assets activity for the year ended June 30, 2011 was as follows:

	Balance Beginning Of Year	Increases	Decreases	Balance End Of Year
<b>Governmental Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 110,000	\$ -	\$ -	\$ 110,000
Construction in process	45,243	-	45,243	-
Total capital assets not being depreciated	\$ 155,243	\$ -	\$ 45,243	\$ 110,000
Capital assets being depreciated:				
Buildings	\$ 10,320,239	\$ 461,053	\$ -	\$ 10,781,292
Improvements other than buildings	749,304	147,469	-	896,773
Furniture and equipment	4,640,795	267,545	-	4,908,340
Total capital assets being depreciated	\$ 15,710,338	\$ 876,067	\$ -	\$ 16,586,405
Less accumulated depreciation for:				
Buildings	\$ 4,138,814	\$ 173,722	\$ -	\$ 4,312,536
Improvements other than buildings	626,863	13,297	-	640,160
Furniture and equipment	3,727,931	292,475	-	4,020,406
Total accumulated depreciation	\$ 8,493,608	\$ 479,494	\$ -	\$ 8,973,102
Total capital assets being depreciated, net	\$ 7,216,730	\$ 396,573	\$ -	\$ 7,613,303
Governmental Activities Capital Assets, Net	\$ 7,371,973	\$ 396,573	\$ 45,243	\$ 7,723,303
	Balance Beginning Of Year	Increases	Decreases	Balance End Of Year
<b>Business type activities:</b>				
Furniture and equipment	\$ 30,692	\$ 1,280	\$ -	\$ 31,972
Less accumulated depreciation	18,058	1,684	-	19,742
Business Type Activities Capital Assets, Net	\$ 12,634	\$ -404	\$ -	\$ 12,230
Depreciation expense was charged to the following functions:				
Governmental Activities:				
Instruction:				
Regular				\$ 361,945
Other				20,119
Support services:				
Administration				13,063
Operation and maintenance of plant				9,038
Transportation				75,329
Total Depreciation Expense – Governmental Activities				\$ 479,494
Business Type Activities:				
Food service operations				\$ 1,684

(5) **Long-term Liabilities**

Changes in long-term liabilities for the year ended June 30, 2011 are summarized as follows:

	Balance Beginning Of Year	Additions	Reductions	Balance End Of Year	Due Within One Year
General obligation bonds	\$ 4,665,000	\$ -	\$ 175,000	\$ 4,490,000	\$ 185,000
Early retirement	95,402	63,180	33,163	125,419	33,273
Revenue bond	800,000	-	125,000	675,000	255,000
Net OPEB liability	2,000	-	2,000	-	-
<b>Total</b>	<b>\$ 5,562,402</b>	<b>\$ 63,180</b>	<b>\$ 335,163</b>	<b>\$ 5,290,419</b>	<b>\$ 473,273</b>

Early Retirement

The District offers a voluntary early retirement plan to its licensed employees. Eligible employees must be at least age fifty-five and must have completed twenty years of service to the District. Employees must complete an application, which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is \$1,000 per year of actual service. The payout sum shall be applied to the employee's monthly single or family insurance premiums. Early retirement expenditures for the year ended June 30, 2011 totaled \$33,163.

General Obligation Bonds Payable

Details of the District's June 30, 2011 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issued April 9, 2003			
	Interest Rate	Principal	Interest	Total
2012	3.45%	\$100,000	\$5,430	\$105,430
2013	3.60%	55,000	1,980	56,980
<b>Total</b>		<b>\$155,000</b>	<b>\$7,410</b>	<b>\$162,410</b>

Year Ending June 30,	Bond Issued June 16, 2006			
	Interest Rate	Principal	Interest	Total
2012	5.000%	\$85,000	\$187,706	\$272,706
2013	5.000%	165,000	183,456	348,456
2014	5.000%	265,000	175,206	440,206
2015	5.000%	275,000	161,956	436,956
2016	5.000%	290,000	148,206	438,206
2017	4.000%	300,000	133,706	433,706
2018	4.000%	315,000	121,706	436,706
2019	4.000%	330,000	109,106	439,106
2020	4.000%	345,000	95,906	440,906
2021	4.125%	360,000	82,106	442,106
2022	4.125%	375,000	67,256	442,256
2023	4.125%	390,000	51,788	441,788
2024	4.250%	410,000	35,700	445,700
2025	4.250%	430,000	18,276	448,276
<b>Total</b>		<b>\$4,335,000</b>	<b>\$1,572,080</b>	<b>\$5,907,080</b>

## Revenue Bonds

Details of the District's June 30, 2011 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond Issued November 1, 2006			
	Interest Rate	Principal	Interest	Total
2012	4.00%	\$ 125,000	\$ 19,586	\$ 144,586
2013	4.00%	135,000	14,386	149,386
2014	4.10%	140,000	8,816	148,816
2015	4.10%	145,000	2,973	147,973
Total		\$ 545,000	\$ 45,761	\$ 590,761

Year Ending June 30,	Bond Issued November 5, 2008			
	Interest Rate	Principal	Interest	Total
2012	3.3%	\$ 130,000	\$ 2,145	\$ 132,145

The District has pledged future statewide sales, services and use tax revenues to repay the \$905,000 of bonds issued in November 2006. The bonds were issued for the purpose of financing a portion of the costs of capital improvements. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2015. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 35 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$722,906. For the current year, \$125,000 of principal and \$26,731 of interest was paid on the bonds and total statewide sales, services and use tax revenues were \$720,233.

The resolution providing for the issuance of the statewide sales, services and use tax revenue bonds includes the following provisions:

- a) \$90,500 of the proceeds from the issuance of the revenue bonds shall be deposited to a reserve account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The balance of the proceeds shall be deposited to the project account.
- b) All proceeds from the statewide sales, services and use tax shall be placed in a revenue account.
- c) Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.

During the year ended June 30, 2011, the District made principal, interest and fee payments totaling \$526,616 under the agreements.

(6) **Pension and Retirement Benefits**

The District contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits, which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P. O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 4.50% of their annual covered salary and the District is required to contribute 6.95% of annual covered payroll for the years ended June 30, 2011, 2010 and 2009. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2011, 2010 and 2009 were \$275,976, \$262,933 and \$254,229, respectively, equal to the required contributions for each year.

(7) **Other Postemployment Benefits (OPEB)**

Plan description – The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 89 active and 9 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with United Health Care. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit rate subsidy and an OPEB liability.

Funding Policy – The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation – The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2011, the amount actually contributed to the plan and changes in the District's net OPEB obligations:

Annual required contribution	\$	51,000
Interest on net OPEB obligation		80
Adjustment to annual required contribution		-80
Annual OPEB cost	\$	50,999
Contributions made		-53,000
Increase in net OPEB obligation	\$	-2,000
Net OPEB obligation beginning of year		2,000
Net OPEB obligation end of year	\$	-

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2011.

For the year ended June 30, 2011, the District contributed \$474,090 to the medical plan. Plan members eligible for benefits contributed \$124,281, or 20.8% of the premium costs.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2011 are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$51,000	96%	\$2,000
June 30, 2011	\$51,000	104%	-

**Funded Status and Funding Progress** – As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, the actuarial accrued liability was \$492,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$492,000. The covered payroll (annual payroll of active employees covered by the plan) was \$3,546,000 and the ratio of the UAAL to covered payroll was 13.8%. As of June 30, 2011, there were no trust fund assets.

**Actuarial Methods and Assumptions** – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2009 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 4.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 11%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2007 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2007.

Projected claim costs of the medical plan are \$702 per month for retirees less than age 65 and \$1,287 per month for retirees who have attained age 65. The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

#### **(8) Risk Management**

Dike-New Hartford Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

#### **(9) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$338,101 for the year ended June 30, 2011 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(10) Categorical Funding**

The District's reserved fund balance for categorical funding at June 30, 2011 is comprised of the following programs:

Program	Amount
Limited English Proficiency	\$ 1,895
At Risk	44,608
Gifted and Talented Programs	159,578
Dropout Prevention	98,907
Teacher Salary Supplement	33,255
Market Factor (07)	1,159
Core Curriculum	25,998
Professional Development	37,676
Market Factor (08)	5,216
Home School	7,060
Preschool	2,902
Total	<u>\$ 418,254</u>

**(11) Subsequent Events**

The District has evaluated subsequent events through February 17, 2012 which is the date that the financial statements were available to be issued.

**(12) Accounting Change/Restatement**

Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, was implemented during the year ended June 30, 2011. The effect of fund type reclassifications is as follows:

	Capital Projects	Special Revenue, Physical Plant and Equipment Levy
Balances June 30, 2010, as previously reported	\$ 1,212,452	\$ 273,123
Change in fund type classification per implementation of GASB Statement No. 54	273,123	-273,123
Balances July 1, 2010, as restated	<u>\$ 1,485,575</u>	<u>\$ -</u>



## **Required Supplementary Information**

**Dike-New Hartford Community School District**

**Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances –  
Budget and Actual – All Governmental Funds and Proprietary Funds**

**Required Supplementary Information**

**Year Ended June 30, 2011**

	Governmental Funds Actual	Proprietary Funds Actual
Receipts:		
Local sources	\$ 4,697,291	\$ 257,978
Intermediate sources	-	-
State sources	4,018,813	3,496
Federal sources	404,001	133,548
Total Receipts	<u>\$ 9,120,105</u>	<u>\$ 395,022</u>
Disbursements:		
Instruction	\$ 5,373,317	\$ -
Support services	2,620,868	-
Non-instructional programs	6,565	368,200
Other expenditures	1,076,379	-
Total Disbursements	<u>\$ 9,077,129</u>	<u>\$ 368,200</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	\$ 42,976	\$ 26,822
Other financing sources, net	200	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses and other financing uses	\$ 43,176	\$ 26,822
Balances beginning of year	2,502,715	147,200
Balances End of Year	<u>\$ 2,545,891</u>	<u>\$ 174,022</u>

See accompanying independent auditor's report.

	Total Actual		Budgeted Amounts		Final To Actual Variance
\$	4,955,269	\$	4,494,856	\$	460,413
	-		-		-
	4,022,309		4,295,805		-273,496
	537,549		290,000		247,549
\$	9,515,127	\$	9,080,661	\$	434,466
\$	5,373,317	\$	5,211,889	\$	-161,428
	2,620,868		2,557,500		-63,368
	374,765		407,000		32,235
	1,076,379		1,894,143		817,764
\$	9,445,329	\$	10,070,532	\$	625,203
\$	69,798	\$	-989,871	\$	1,059,669
	200		2,000		-1,800
\$	69,998	\$	-987,871	\$	1,057,869
	2,649,915		2,469,177		180,738
\$	2,719,913	\$	1,481,306	\$	1,238,607

**Dike-New Hartford Community School District**

**Notes to Required Supplementary Information – Budgetary Reporting**

**Year Ended June 30, 2011**

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2011, expenditures in the instruction and support services functions exceeded the amounts budgeted.

**Dike-New Hartford Community School District**

**Schedule of Funding Progress for the  
Retiree Health Plan  
(In Thousands)**

**Required Supplementary Information**

**June 30, 2011**

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	June 1, 2009	-	\$492	\$492	0.0%	\$3,513	14%
2011	June 1, 2009	-	\$492	\$492	0.0%	\$3,546	13.8%

See Note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

## **Other Supplementary Information**

## Dike-New Hartford Community School District

Combining Balance Sheet  
Non-Major Funds

June 30, 2011

	Special Revenue		
	Management Levy	Student Activity	Total
<b>Assets</b>			
Cash and pooled investments	\$ 180,479	\$ 149,955	\$ 330,434
Receivables:			
Property Tax:			
Delinquent	1,839	-	1,839
Succeeding year	150,000	-	150,000
Accounts	-	40,073	40,073
Due from other governments	30	1,500	1,530
<b>Total Assets</b>	<b>\$ 332,348</b>	<b>\$ 191,528</b>	<b>\$ 523,876</b>
<b>Liabilities &amp; Fund Equity</b>			
Liabilities:			
Accounts payable	\$ -	\$ 27,851	\$ 27,851
Deferred Revenue:			
Succeeding year property tax	150,000	-	150,000
Total Liabilities	\$ 150,000	\$ 27,851	\$ 177,851
Fund Equity:			
Restricted for:			
Management levy purposes	\$ 182,348	\$ -	\$ 182,348
Student activities	-	163,677	163,677
Total Fund Balance	\$ 182,348	\$ 163,677	\$ 346,025
<b>Total Liabilities &amp; Fund Balances</b>	<b>\$ 332,348</b>	<b>\$ 191,528</b>	<b>\$ 523,876</b>

See accompanying independent auditor's report.

## Dike-New Hartford Community School District

Combining Schedule of Revenues, Expenditures  
and Changes in Fund Balances  
Non-Major Funds

Year Ended June 30, 2011

	Special Revenue			
	Disaster Recovery	Management Levy	Student Activity	Total
Revenues:				
Local Sources:				
Local tax	\$ -	\$ 150,438	\$ -	\$ 150,438
Other	-	10,819	439,258	450,077
State sources	-	92	-	92
Total Revenues	\$ -	\$ 161,349	\$ 439,258	\$ 600,607
Expenditures:				
Current:				
Instruction:				
Regular instruction	\$ -	\$ 42,872	\$ -	\$ 42,872
Other instruction	-	-	465,534	465,534
Support services:				
Administration services	-	8,573	-	8,573
Operation and maintenance of plant services	-	49,001	-	49,001
Transportation services	-	22,431	-	22,431
Non-instructional programs	-	6,382	-	6,382
Total Expenditures	\$ -	\$ 129,259	\$ 465,534	\$ 594,793
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ 32,090	\$ -26,276	\$ 5,814
Other financing sources (uses):				
Operating transfers in	\$ 131,617	\$ -	\$ -	\$ 131,617
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	\$ 131,617	\$ 32,090	\$ -26,276	\$ 137,431
Fund balances beginning of year, as restated	\$ -131,617	\$ 150,258	\$ 189,953	\$ 208,594
Fund Balances End of Year	\$ -	\$ 182,348	\$ 163,677	\$ 346,025

See accompanying independent auditor's report.



## Dike-New Hartford Community School District

Combining Balance Sheet  
Capital Project Accounts

June 30, 2011

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
<b>Assets</b>			
Cash and pooled investments	\$ 640,691	\$ 371,041	\$ 1,011,732
Receivables:			
Property Tax:			
Delinquent	-	1,925	1,925
Succeeding year	-	178,661	178,661
Due from other governments	220,847	31	220,878
<b>Total Assets</b>	<b>\$ 861,538</b>	<b>\$ 551,658</b>	<b>\$ 1,413,196</b>
<b>Liabilities &amp; Fund Equity</b>			
Liabilities:			
Accounts payable	\$ 5,467	\$ 6,355	\$ 11,822
Deferred revenue:			
Succeeding year property tax	-	178,661	178,661
Total Liabilities	\$ 5,467	\$ 185,016	\$ 190,483
Fund Balances:			
Restricted for:			
Debt service	\$ 90,500	\$ -	\$ 90,500
School infrastructure	765,571	-	765,571
Physical plant and equipment	-	366,642	366,642
Total fund balances	\$ 856,071	\$ 366,642	\$ 1,222,713
<b>Total Liabilities and Fund Balances</b>	<b>\$ 861,538</b>	<b>\$ 551,658</b>	<b>\$ 1,413,196</b>

See accompanying independent auditor's report.

## Dike-New Hartford Community School District

Combining Schedule of Revenues, Expenditures  
and Changes in Fund Balances  
Capital Project Accounts

Year Ended June 30, 2011

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local Sources:			
Local tax	\$ 720,233	\$ 170,047	\$ 890,280
Other	5,207	1,776	6,983
State sources	-	100	100
Federal sources	-	9,921	9,921
Total Revenues	\$ 725,440	\$ 181,844	\$ 907,284
Expenditures:			
Support Services:			
Instructional staff	\$ 482,606	\$ 15,256	\$ 497,862
Administration services	9,986	-	9,986
Other Expenditures:			
Facilities acquisition	138,593	73,069	211,662
Total Expenditures	\$ 631,185	\$ 88,325	\$ 719,510
Excess (deficiency) of revenues over (under) expenditures	\$ 94,255	\$ 93,519	\$ 187,774
Other Financing Sources (Uses):			
Operating transfers in (out)	-450,636	-	-450,636
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	\$ -356,381	\$ 93,519	\$ -262,862
Fund balances beginning of year, as restated	1,212,452	273,123	1,485,575
Fund Balances End of Year	\$ 856,071	\$ 366,642	\$ 1,222,713

See accompanying independent auditor's report.

## Dike-New Hartford Community School District

## Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year Ended June 30, 2011

Account	Balance Beginning Of Year	Revenues and Inter-fund Transfers	Expenditures	Intra- Fund Transfers	Balance End of Year
Art Club	\$ 21	\$ 1,860	\$ 1,624	\$ -	\$ 257
Annual	5,960	6,053	8,681	-	3,332
Athletics	8,455	9,534	14,464	10,877	14,402
Band uniforms	2,080	446	1,201	-	1,325
Band	1,806	4,601	6,077	1,000	1,330
Interest income	7,651	1,120	-	-	8,771
Vocal music	4,581	5,684	9,005	1,856	3,116
Musical	6	-	50	50	6
Music trip	7,511	13,261	14,739	-	6,033
Cheerleaders	1,107	1,980	2,139	-	948
Speech	90	650	1,492	1,000	248
Drama	2,643	1,140	429	-	3,354
Cross Country	-	1,247	2,033	786	-
Tennis	-	296	887	591	-
Golf	-	560	2,550	1,990	-
Boys basketball	-	7,165	4,693	-2,472	-
Football	-	20,277	10,768	-9,509	-
Baseball	-	2,486	4,261	1,775	-
Boys track	-	2,512	6,381	3,869	-
Wrestling	-	4,053	2,661	-1,392	-
Girls basketball	-	4,994	2,279	-2,715	-
Volleyball	-	7,105	3,940	-3,165	-
Softball	-	2,425	3,094	669	-
Girls track	-	4,569	5,612	1,043	-
Student Council	2,383	1,200	1,243	-	2,340
Junior/Senior Prom	683	6,239	6,722	-	200
Concessions	832	67,209	52,685	-10,000	5,356
National Honor Society	1,407	41	1,454	6	-
TAG-Talented & Gifted	719	-	-	-	719
Vending machine	661	194	-	-	855
Athletic towel service	8,571	630	394	-	8,807
Dance	211	-	-	-	211
Secondary	882	3,096	3,902	1,694	1,770
Junior High	3,971	7,669	7,039	-4,085	516
Dike Elementary	-75	16,643	11,571	-	4,997
New Hartford Elementary	12,532	10,175	10,599	-	12,108
Thespians	192	265	519	250	188
SADD	406	100	169	-	337
Booster Club	108	21,237	19,901	-400	1,044
Track project donations	4,775	-	489	-	4,286
Service Learning Scholarship	50	-	-	-	50
Football Fundraisers	7,312	15,811	19,894	-590	2,639
Volleyball Fundraisers	3,440	26,585	25,661	-	4,364
Cheerleading Fund	599	10,368	7,978	-	2,989
Baseball Fund	2,429	2,062	564	-	3,927

## Dike-New Hartford Community School District

## Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year Ended June 30, 2011

Account	Balance Beginning Of Year	Revenues and Inter-fund Transfers	Expenditures	Intra- Fund Transfers	Balance End of Year
Timpani	\$ 1,500	\$ 6,002	\$ 7,502	\$ -	\$ -
Pepsi Rebate	2,003	2,299	-	-	4,302
Auditorium	5,571	9,625	5,266	343	10,273
Character Education	1	-	-	-	1
Pep Bus	-	275	275	-	-
All State Music	653	1,020	1,410	-	263
JH Athletics	30	974	8,888	7,884	-
Activity Tickets	-	5,695	-	-5,695	-
Soccer	-	-	3,750	3,750	-
Cross County Fundraisers	917	26,218	15,609	-	11,526
Boys Track Fundraisers	1,061	3,501	3,932	-	630
Wrestling Fundraisers	172	2,170	2,342	-	-
Baseball/Softball lights	71,903	67,636	117,292	-	22,247
Boys Basketball Fundraisers	787	4,001	3,554	590	1,824
Girls Basketball Fundraisers	2,479	5,090	5,210	-	2,359
Softball Fundraisers	3,822	3,852	4,837	-	2,837
Sound system	935	-	-	-	935
JH Trip	4,120	7,358	5,823	-	5,655
Total	\$ 189,953	\$ 439,258	\$ 465,534	\$ -	\$ 163,677

See accompanying independent auditor's report.

**Dike-New Hartford Community School District**

**Schedule of Revenues by Source and Expenditures by Function  
All Governmental Funds**

**For the Last Eight Years**

	Modified Accrual Basis			
	2011	2010	2009	2008
Revenues:				
Local Sources:				
Local tax	\$ 3,826,533	\$ 3,212,200	\$ 3,218,098	\$ 3,084,998
Tuition	262,448	238,900	242,459	196,965
Other	608,310	533,074	578,150	617,231
Intermediate sources	-	-	-	-
State sources	4,018,813	3,489,615	4,113,819	3,891,713
Federal sources	404,001	620,534	538,571	115,741
Total	\$ 9,120,105	\$ 8,094,323	\$ 8,691,097	\$ 7,906,648
Expenditures:				
Instruction:				
Regular instruction	\$ 3,326,114	\$ 3,348,574	\$ 3,350,505	\$ 3,103,064
Special instruction	815,261	852,001	895,927	758,860
Other instruction	1,231,942	973,830	873,981	978,872
Support services:				
Student services	138,728	145,344	129,279	131,732
Instructional staff services	749,352	363,785	340,307	305,867
Administrative services	830,871	824,292	752,606	721,716
Operation and maintenance of plant services	596,211	571,056	584,743	581,378
Transportation services	305,706	321,690	504,314	278,985
Central support services	-	-	-	-
Non-instructional programs	6,565	6,385	6,525	5,188
Other expenditures:				
Facilities acquisition	211,662	178,328	998,075	2,090,185
Long-term debt:				
Principal	300,000	375,000	205,000	9,000
Interest and other charges	226,616	246,878	241,973	248,541
AEA flow-through	338,101	335,508	287,737	267,309
Total	\$ 9,077,129	\$ 8,542,671	\$ 9,170,972	\$ 9,561,697

See accompanying independent auditor's report.

Modified Accrual Basis			
2007	2006	2005	2004
\$ 2,960,196	\$ 2,722,300	\$ 2,488,099	\$ 2,247,405
215,185	226,198	217,634	162,031
711,373	477,631	427,357	427,722
-	-	-	-
3,730,342	3,505,560	3,365,191	2,967,144
139,699	135,423	146,406	111,185
\$ 7,756,795	\$ 7,067,112	\$ 6,644,687	\$ 5,915,487
\$ 3,032,320	\$ 2,847,000	\$ 2,643,861	\$ 2,612,838
780,449	716,836	769,512	770,373
768,112	736,740	686,579	632,666
141,821	135,738	142,251	125,028
284,354	259,327	218,725	141,705
773,832	919,135	615,689	609,410
535,595	549,478	495,048	479,204
355,838	345,862	323,875	302,886
-	-	-	3,082
6,485	4,246	6,194	3,077
2,981,965	61,639	58,010	68,251
85,000	80,000	80,000	75,000
244,699	20,722	21,528	29,172
256,112	239,746	231,860	221,107
\$ 10,246,582	\$ 6,916,469	\$ 6,293,132	\$ 6,073,799

**Independent Auditor's Report on Internal Control over Financial Reporting  
and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance  
with Government Auditing Standards**

Independent Auditor's Report on Internal Control over Financial Reporting  
and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in  
Accordance with Government Auditing Standards

To the Board of Education of  
Dike-New Hartford Community School District:

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Dike-New Hartford Community School District as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued my report thereon dated February 17, 2012. I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Dike-New Hartford Community School District's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing my opinion on the effectiveness of Dike-New Hartford Community School District's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of Dike-New Hartford Community School District's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses as defined above.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis.

A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. I consider the deficiency described in Part I of the accompanying Schedule of Findings as item I-A-11 to be a significant deficiency.



## Compliance and Other Matters

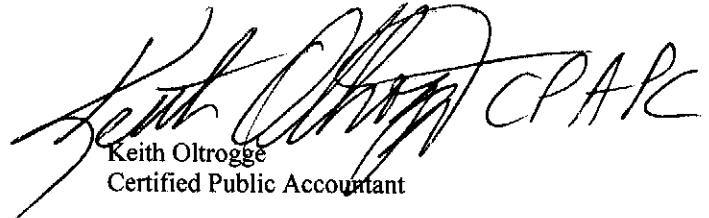
As part of obtaining reasonable assurance about whether Dike-New Hartford Community School District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, I noted certain immaterial instances of noncompliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the District. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Dike-New Hartford Community School District's responses to findings identified in my audit are described in the accompanying Schedule of Findings. While I have expressed my conclusions on the District's responses, I did not audit Dike-New Hartford Community School District's responses and, accordingly, I express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Dike-New Hartford Community School District and other parties to whom Dike-New Hartford Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

I would like to acknowledge the many courtesies and assistance extended to me by personnel of Dike-New Hartford Community School District during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.



Keith Oltrogge  
Certified Public Accountant

February 17, 2012

**Dike-New Hartford Community School District**

**Schedule of Findings**

**Year Ended June 30, 2011**

**Part I – Findings Related to the General Purpose Financial Statements**

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.

**SIGNIFICANT DEFICIENCIES:**

I-A-11 Annual Financial Statements – The ability to apply generally accepted accounting principles to the financial statements and determine the sufficiency of the footnote disclosure is a necessary aspect of internal control over the District's financial reporting process. The District does not possess an individual with the appropriate expertise to apply generally accepted accounting principles to the financial statements and to draft and determine the sufficiency of the necessary disclosures. The District has a limited number of employees and it is not cost beneficial to employ an individual with this type of expertise and knowledge. The internal financial statements prepared by the District are not prepared in accordance with generally accepted accounting principles and do not contain the required footnote disclosures.

Recommendation – This is a common control deficiency of most small districts and is often not corrected due to cost benefit considerations. I could assist you in gaining the necessary knowledge and skills if you determine that this is a control deficiency that the District would like to address.

Response – We will consult with you as needed on financial statement considerations.

Conclusions – Response accepted.

**Dike-New Hartford Community School District**

**Schedule of Findings**

**Year Ended June 30, 2011**

**Part II - Other Findings Related to Statutory Reporting:**

II-A-11 Certified Budget – Expenditures for the year ended June 30, 2011 exceeded the certified budget amount in the instruction and support services functions.

Recommendation – The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed budget.

Response – Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion – Response accepted.

II-B-11 Questionable Expenditures – No expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

II-C-11 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

II-D-11 Business Transactions – No business transactions between the District and District officials or employees were noted.

II-E-11 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure the coverage is adequate for current operations.

II-F-11 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.

II-G-11 Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.

II-H-11 Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

II-I-11 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.

II-J-11 Certified Annual Report – The Certified Annual Report was certified to the Iowa Department of Education timely.

II-K-11 Categorical Funding – No instances were noted of categorical funding being used to supplant rather than supplement other funds.

According to proposed administrative rules, "Categorical funding shall not be commingled with other funding. School districts shall use a project code and program code as defined by Uniform Financial Accounting." I noted that during the year some categorical funding expenditures were commingled with other General Fund expenditures, then were reclassified as categorical spending at the end of the year.

Recommendation – All categorical funding expenditures should be posted to the correct expenditure account as the expenditures are incurred.

Response – We have revised our procedures for identifying categorical expenditures so that they will be coded to the correct expenditure accounts as incurred.

Conclusion – Response accepted.

**Dike-New Hartford Community School District**

**Schedule of Findings**

**Year Ended June 30, 2011**

**Part IV - Other Findings Related to Statutory Reporting (continued):**

- II-L-10 Statewide Sales, Services and Use Tax – No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2011, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$	1,212,452
Revenues/transfers in:			
Sales tax revenues	\$	530,547	
Other local revenues		5,207	
School infrastructure supplemental amount		189,686	725,440
			<u>\$ 1,937,892</u>
Expenditures/transfers out:			
School infrastructure construction	\$	138,593	
Equipment		482,606	
Other		9,986	
Transfers to other funds:			
Debt service fund		319,019	
Other transfers		131,617	1,081,821
			<u>\$ 856,071</u>
Ending balance			

For the year ended June 30, 2011, the District reduced the following levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa:

	Per \$1,000 of Taxable Valuation	Property Tax Dollars
Debt service levy	\$ 1.69769	\$ 720,233
Physical plant and equipment levy	-	-
Public educational and recreational levy	-	-